# Health Savings Accounts (HSAs)

Health Savings Accounts are for individual employees, under the age of 65, in a high deductible health plan. The plan's deductible and out of pocket expenses must be at least the following:

HSA Individual High Deductible Health Plan (HDHP) Requirements						
For 2019 For 2020						
Minimum Deductible	Individual: \$1,350 Family: \$2,700	Individual: \$1,400 Family: \$2,800				
Maximum Contribution	Individual: \$3,500 Family: \$7,000	Individual: \$3,550 Family: \$7,100				
Age 55 to 65 Catch-Up Contribution	\$1,000	\$1,000				
Maximum Out-of-Pocket Expenses	Individual: \$6,750 Family: \$13,500	Individual: \$6,900 Family: \$13,800				

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# **Reporting Requirements on W-2**

Employer contributions, *including* employee salary reduction contributions through a cafeteria plan, are required to be reported in **Box 12** with **Code** "**W**" on the employee's W-2. (To clarify, the amount in Box 12 is the employer contribution and employee contribution <u>combined</u>.)

	22222	a Employee's	social security number	OMB No. 1545	-000	8	
b Employ	ver identification number	(EIN)		1 Wages, tips, other compensation 2 Federal income tax withheld			
c Employer's name, address, and ZIP code						Social security wages	4 Social security tax withheld
					5	Medicare wages and tips	6 Medicare tax withheld
					7	Social security tips	8 Allocated tips
d Contro	I number				9		10 Dependent care benefits
f Employ	ee's address and ZIP coo	je	- <b>D</b> 0-41		13	Statutory Ratemant Theodown methode An skip pay Sthere	12b         5           12b         5           12c         5           12d         5           12d         5
15 State	Employer's state ID nun	nber 16	<ul> <li>State wages, tips, etc.</li> </ul>	17 State incom	e tax	18 Local wages, tips, etc.	Local income tax 20 Locality nam
Form N	I-2 Wage an Stateme	id Tax nt		<u> </u>		Department of t	

The employee deduction codes and employer earnings codes contributions to the HSA appear in box 12 proceeded by the code "W".

Note: Employer contributions that are not excludable from income must also be reported in **Boxes 1,3,5,16, & 18** with taxes withheld reported in **Boxes 2,4,6,17,& 19**. Such amounts are also reported on Form 941 and Form 940.

# Questions to ask before setting up your HSA Contributions

To be an eligible individual and qualify for an HSA, employees must meet the following requirements.

- They must be covered under a high deductible health plan (HDHP), on the first day of the month.
- They (and their spouse, if they have family coverage) generally cannot have any other health coverage that is not an HDHP. However, they may still be an eligible individual even if their spouse has non-HDHP coverage provided they are not covered by that plan. Check <u>www.irs.gov</u> to see additional information.
- They are not enrolled in Medicare.
- If a person is being paid by non-taxable earnings the HSA cannot be deducted from the earnings. (i.e., Independent Contractors)
- They cannot be claimed as a dependent on someone else's tax return.

HSA Employee Contribution (Box 12/ Code W on W-2) F=Family SO=Single	<ol> <li>Is <u>pre-tax</u> deduction direct deposited? If YES: Use Deduction Code HSA125CADF, HSA125CADS If NO: Use Deduction Code HSA125CAF, HSA125CASO If your employer requests EDI reporting, use the EDI pretax deduction codes.</li> <li>Is <u>after-tax</u> deduction direct deposited? If <u>Yes</u>: Use Deduction Code HSADedDDF, HSADedDDSO If <u>NO</u>: Use Deduction Code HSADedF, HSADedSO</li> </ol>
HSA Employer Contribution (Box 12/ Code W on W-2) F=Family SO=Single	<ol> <li>Has the contribution already been paid? If <u>YES</u>: Use Earnings Code HEASVPpdF, HeaSVPpdSO If <u>NO</u>: Use Earnings Code HeaSavF, HeaSavSO Note: The amount will be added to the employee's net pay.</li> <li>Calculate 401K on the HSA? If <u>YES</u>: Use the above Earnings Codes If <u>NO</u>: Use Earnings Code HeaSvNoKNF, HeaSvNoKSO</li> <li>If the employer wants amounts direct deposited a. Use the Non Prepaid earnings code HeaSvNoKF, HeSvNoKNSO (use the HSAERDD deduction code for the employers contribution to be direct deposited) b. Enter the Earnings Code amount to match the HSAERDD deduction code amount</li> </ol>

Follow these steps to work with HSA deduction codes:

#### **Employee Contributions**

- Step 1: Add the HSA Deduction to your Company.
- Step 2: Add the HSA Deduction to an Employee's Profile.

#### **Employer Contributions**

- Step 3: Set Up an Employer's Contribution for an Employee's HSA.
- Step 4: Add the Employer Contribution to the Employee's Profile.

#### HSA Exceptions

## **Employee Contributions**

The employee sets an annual dollar amount and then the deduction amount is calculated by pay period. The employee can also elect to have the amount direct deposited into their HSA account.

Note: HSA-designated deduction codes are used to deduct employees' HSAs contributions from their pay and to optionally have the funds direct deposited into their HSA accounts.

**Pretax Deductions:** In order for an HSA to be a pretax deduction it must be offered through a 125 cafeteria plan. The HSA125 deduction codes are set up on the global deductions list. Select the appropriate one based on whether the employee wants the contribution direct deposited into their HSA account:

Deduction Code(add F = Family, SO = Single)Description		Tax Category	Tax Exceptions Effect on Employee	W-2 Reporting
HSA125CAF or HSA125CASO	Health Savings Acct-Pretax	Pre Tax	Non Taxable	Box 12 Code W
HSA125CADF or HSA125CADS	Health Sav Acct- Pretax w/ DirDep	Pre Tax	Non Taxable with direct deposit to HSA account	Box 12 Code W
HSADed	Health Savings Acct-After tax	After Tax	Non Taxable	Box 12 Code W
HSADedDD	Health Sav Acct- After tax w/ DirDep	After Tax	Non Taxable with direct deposit to HSA account	Box 12 Code W

## **Step 1: Add the HSA Deduction to your Company.**

You will need to set up a Deduction on the Client Profile:

In the Configure Company area, select **Deductions** under the Payroll menu.

Click + Add Deduction

🖌 Save

Click

- Locate the correct code from the dropdown. You may type in the field to filter the results.
  - Note: The user will be able to select a new code name and description for the deduction code in the next steps. However, it is important to select a template with the correct *type* in order for the deduction to calculate correctly. If unsure which type to choose, contact your consultant.

Once selected, you may view and edit the settings.

Configure Company	Deductions		
Payroll	Add Deduction	× 🔗	
Earnings			Add Deduction
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Taxes			-
Payables	HSA125 - Health Savings Acct - Pre Tax	Description *	Delete
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Benefits Administration	HSA125CASO - Hea Sav 125 Single CA Only		
ACA	HSA125F - Hea Sav 125 Ded Family	Rate	
	HSA125SO - Hea Sav 125 Single	0.0000%	
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	HSADedSO - Hea Sav After Tax Single		
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	Dependent Care - PreTax		
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Complete

#### Step 2: Add the HSA Deduction to an Employee's Profile.

Follow these steps to do this task:

In the Manage Employees area, click on an employee's name.

button.

- 2 Using the left navigation menu, open **Compensation**. Then click on **Deductions**.
- Click the + Add Deduction
- On the Add Deduction screen, select the necessary HSA Plan and click
  - Note: In order for the system to track annual contribution limits across employee and employer contribution codes they must match. Example:
    - Employee Contribution Code: HSA125CAF
    - Employer Contribution Code: HeaSavF

5 Enter the **Withholding Amount** the employee is to contribute per pay. Click

Note: **Reporting:** HSA125 Plan contributions for both the employer and employee (combined) automatically print in **Box 12 Code W** on the employee's W-2 form.

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ay Rates		Plan Details				
amings eductions			Add Deduction			×
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ix Handling		Global Settings	Health Savings Acct - Pre Tax	Betails   Limits   Global		- II.
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lime & Attenda	ince 🔻			HSA125	Health Savings Acct - Pre Tax	Sav
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						6

**After-Tax Deductions:** If the employee's HSA contribution is an *after-tax* deduction, follow the steps on the previous page except select the deduction code and then rename the code to represent the name of your plan.

Deduction Code (add F = Family, SO = Single)	Description	Tax Category	Tax Exceptions Effect on Employee	W-2 Reporting
HSADed	Hea Sav After Tax	After Tax	Taxable	Does not appear on W2 Box 12, will Appear in Box 14 if "Appear on W2 Box 14 field is Yes"
HSADeDD	Health Sav Acct- DirDep	After Tax	Taxable with direct deposit to HSA account	Does not appear on W2 Box 12, will Appear in Box 14 if "Appear on W2 Box 14 field is Yes"

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Earnings	A Add Deduction							
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Taxes	Child Support Disp Earn - OH	Calculate	🚔 Delete					
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	Dependent Care - PreTax	Code *	Description *					
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Manage Access 🔻		\$0.0000						
	DedHealth	_						
	Deducation	Frequency						
	Dent125	Every pay period						
	Dental Insurance-PreTax	Limite						
	H125C	Limits	+ Add Limit					
	Health Insurance - PreTax							
	H125DD	Level Frequency	Maximum Amount to be Withheld Actions					
	Health Ins pre tax Direct Dep	Advanced Settings	*					
	H125DDER4	Equation	Rate					
	Health Ins pre tax Direct ER4	(RATE * TOTEARN )+ AMT	0.0000%					
	H125E							
	Health Family - PreTax	Include In	Check Stub					
		Regular only	Always print YTD     V					
	H125FER2 Health Family - PreTax FR2	Short Fall Type	Short Fall Priority					
		Current	▼ 30					
	H125HDed Health High Deductibl - PreTax	Sequence	Appear on W2 Box 14					
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and			have a south a south a so					

# Note: **Reporting:** If you want your after-tax Health Plan contributions to print on the employee's W-2 form, click **Yes** in the **Appear on W2 Box 14** field.

# **Employer Contributions**

Employers can elect to contribute to employees' HSAs. The employer is to be consistent with the contributions make to employees' accounts due to discrimination laws.

If you are going to contribute to your employee's HSAs, you will need to set up an Earning Code for the contributions. Below are commonly used HSA ER earnings codes:

Earning Code (add F = Family, SO = Single)	Description	Use When…
HeaSav	Health Sav Acct ER Prov-Notppd	The contribution amount is not prepaid and will be added to the employee's net pay. The employee is responsible for depositing into their HSA. For all non-prepaid HSA codes, the HSAERDD deduction must also be configured on the client and employee level.
HeaSvPpd	Health Sav Acct ER Prov-Ppd	The contribution amount is prepaid. The employer is responsible for depositing into the employee's HSA.
HeSvNoKN	Hea Sav Acct Er Prov Nok-Nppd	The 401k calculated on total gross minus HSA amount. The contribution amount is not prepaid and will be added to the employees' net pay. For all non-prepaid HSA codes, the HSAERDD deduction must also be configured on the client and employee level.
HeaSvNoK	Hea Sav Acct Er Prov Nok-Pp	The 401k is calculated on total gross minus HSA amount. The employee is responsible for depositing into their HSA.

Note: For **all non-prepaid HSA Earnings Codes** (Employer Contribution to an Employee's HSA, to be paid via direct deposit) you must also set up the **HSAERDD** deduction code on the Client Level and on the employee. This will allow for the direct deposit to be reported correctly on the employee's paystub and reports.

## Step 3: Set Up an Employer's Contribution for an Employee's HSA.

You will need to set up a Earning on the Client Profile:



#### Click + Add Earning

Note: In order for the system to track annual contribution limits across employee and employer contribution codes they must match. Example:

- Employee Contribution Code: HSA125F
- Employer Contribution Code: HeaSavF
- B Locate the correct code from the dropdown. You may type in the field to filter the results.
  - Note: The user will be able to select a new code name and description for the earning code in the next steps. However, it is important to select an earning code with the correct Tax Category (Regular Earning, Non Taxable Earning, etc.). If unsure which Tax Category to choose, contact your consultant.
- Once selected, you may view and edit the settings.



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Earnings		86478 - Pe	rform Desion 👻			+ Add Earning
Shift Differentials			Add Earning			
Deductions						
Taxes			Earning			
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Note: **Reporting:** HSA125 Plan contributions for both the employer and employee (combined) automatically print in **Box 12 Code W** on the employee's W-2 form.

# Step 4: Add the Employer's Contribution to an Employee's Profile.

Note	E: For all non-prepaid HSA Earnings Codes (Er HSA, to be paid via direct deposit) you must als code on the Client Level and on the employee.	nployer Co so set up th	ntribution to ar e <b>HSAERDD</b>	deduction
Follo	ow these steps to do this task:			
0	In the Manage Employees area of Paycor Perform	n, click on t	the employee's	s name.
2	Using the left navigation menu, click <b>Compensation</b> Any current earning codes will display.	on, then Ea	irnings.	
3	Click + Add Earning			
4	On the Add Earning screen, select the necessary	HSA Plan a	and click Next	
	Employee Contribution Code: HS     Employer Contribution Code: Hea	A125F aSavF		
6	Enter the Amount the employer is to contributing	per pay. Cli	ck Complete	H H H H Add Earning Detete
	Construction         OT         Hours           B0%         Phone Design         Overtime Hours           Employee         V	Add Earning	1	×
e	Company     Comm Commission       Compensation     Commission       Pay Rates     Commission       Commission     Commission       Example     Parking Rehmb. Non-Taxable       Deck Deposits     Special Bonus       Companiation Natary     Special Bonus       Time & Attendance     Image: Commission	HeatSiv Heath Sav Act ER Prov-	Details Limits Global Code HeaSav Effective Date * 102(2012 ) Hours 0.0000 Rate \$0.000000 Advanced Settions	Description Health: Sav Acct ER Prov-notppd Calculate Unit mmiddlyyyy Amount 5 accoss Factor C 000000
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Health Savings Account Exceptions	
1	<b>SCorps</b> – Owners are not eligible for pretax HSA contributions. If an owner contributes to an HSA, use the S-Corp Earnings code and rename as SCorp HSA. Select "Appear on W-2" if you wish the contribution to print on the W-2 in Box14 (since it is an after-tax contribution.
2	Owners and family members of a Partnership are not able to contribute to a pretax HSA.
3	Some state unemployment and local withholding taxes do not exempt the contributions.
4	Employer contributions to an HSA are not exempt from the state of Maine income tax withholding.
5	Employer and Employee contributions under a 125 cafeteria plan are not exempt from California income tax withholding.